

Message Text

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62

ACTION ARA-10

INFO OCT-01 ISO-00 ABF-01 EB-07 SIL-01 LAB-04 COME-00

CIAE-00 INR-07 NSAE-00 TRSE-00 AID-05 L-02 PA-02

PRS-01 USIA-15 ARAE-00 /056 W

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P 051915Z MAR 75

FM AMEMBASSY BUENOS AIRES

TO SECSTATE WASHDC PRIORITY 0173

UNCLAS BUENOS AIRES 1516

E.O. 11652: N/A

TAGS: ELAB, ECON, AR

SUBJECT: WAGE-PRICE SPIRAL

1. IN FEB 28 PROCLAMATION PRESIDENT PERON ANNOUNCED CGT-CGE-GOA ACCORD ON ACROSS THE BOARD WAGE INCREASE, EFFECTIVE MAR 1, OF A\$P 400 TO ALL PUBLIC AND PRIVATE SECTOR EMPLOYEES AND MINIMUM WAGE INCREASE FROM A\$P 1,600 TO A\$P 2,000. ACCORD ALSO ESTABLISHED SPECIAL FUND TO FINANCE ACTIVITIES OF CGT AND CGE. EFFECTIVE MAR 1 ALL PRIVATE SECTOR EMPLOYERS ARE REQUIRED TO DEPOSIT, MONTHLY AND PERMANENTLY, AN AMOUNT EQUIVALENT TO .0015 OF TOTAL REMUNERATION OF ALL EMPLOYEES IN FUND TO BE DIVIDED EQUALLY BETWEEN CGT AND CGE.

2. ACCORDING TO ABOVE AGREEMENT, INCREASED WAGE COSTS MAY NOT BE TRANSFERRED TO HIGHER PRICES. HOWEVER, ON SAME DAY SECCOMMERCE ANNOUNCED PRICE INCREASES OF APPROXIMATELY 40 PERCENT IN ALL DAIRY PRODUCTS, 40 PERCENT IN MEDICINAL PRODUCTS, 25 PERCENT IN SOFT DRINKS AND 13.5 PERCENT I PUBLIC TRANSPORTATION FARES. SUCH PRICE INCREASES OBVIOUSLY TO BE TAKEN INTO ACCOUNT IN LABOR-BUSINESS COLLECTIVE BARGAINING DISCUSSIONS WHICH BEGAN MARCH 2. LABOR EXPECTED TO SEEK INCREASES OF AT LEAST 50 PERCENT, TO BE EFFECTIVE JUNE, 1975. MARCH 2 PESO DEVALUATION (SEPTTEL) WILL ALSO OBVIOUSLY HAVE IMPORTANT EFFECT ON DISCUSSIONS, AND LEAD TO ACCELERATION WAGE-PRICE SPIRAL.

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Message Attributes

Automatic Decaptioning: X
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